

Stressed Assets in India



UNTAPPED POTENTIAL

Scenario



- Reserve Bank of India lending regulations & new law – **Insolvency & Bankruptcy Code Act (2016)**.
- Thousands of companies/industries pushed into sick, **Non Performing Assets (NPA)/Stressed Assets (SA)** status.
- Total NPAs estimated: > **\$ 200 billion**
- NPAs in power sector: > **\$ 50 billion**

Scenario



- Banks repossess **NPAs** & push to auction to recoup investment.
- Potential buyers are not receiving adequate funding from Indian banks.
- The banking system would benefit from **Technical & Management expert support** to assess whether NPAs are capable of **turnaround**.

Resolution



- India is proposing an independent **Asset Management Company (AMC)/ Alternate Investment Fund (AIF)** approach to quickly resolve bad assets (of > \$ 70 million each).
- **AMC** - Potential buyers/investors would get the platform to **restore** bad assets without worrying about prolonged legal processes.
- **AIF** – Raise money from **institutional investors** to fund any AMC that will buy problem loans.

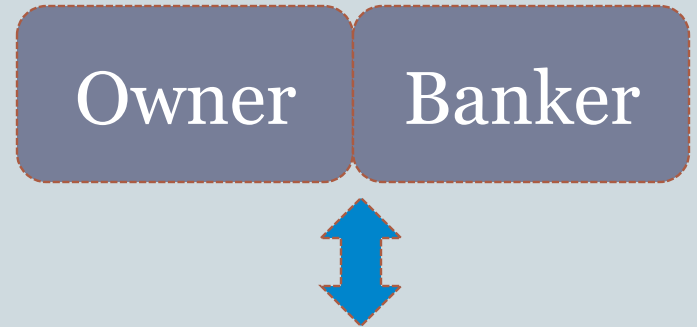
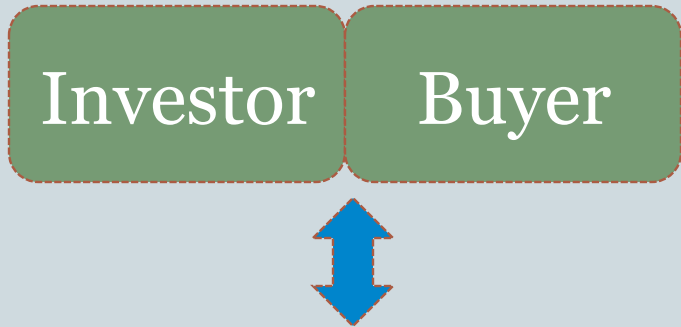
Opportunities

Reference: S. Das et al., Bad loan
AMCs may see inflows of \$10 billion
from global investors, Economic
Times, 23/07/2018

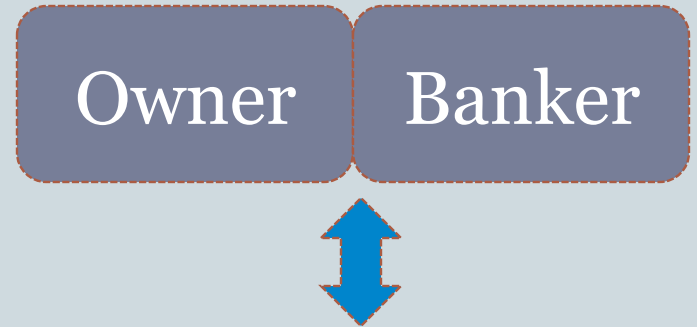
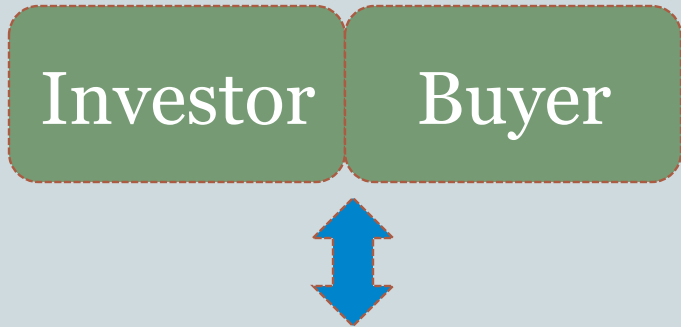


- The size of the bad loan problem and the active efforts by the government and regulators to try and address it will throw up many opportunities for private equity firms.
- The opportunity to help resolve the problems in the Indian banking sector is one of the largest across the world today.
- SSG Capital, SC Lowy Financial HK, Altico, EMSO, Oaktree Capital, Edelweiss Group and Bain Capital are already in talks with local foreign banks, law firms, and asset reconstruction companies to assess the market.

Business Model proposed by Garner Varlik Designer



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ROI



- Rates of interest range from ~ 10 – 15 %.
- Overseas funding groups would command **higher rates & returns** due to current market condition.
- Select SA to invest in after **thorough research** (with **GVD**) .
- Judicious deployment of **funds** stage-wise for **restructuring**.
- Can be “flipped” within < **5 years!**

Garner Varlik Designer's participation



- Deep **expertise & familiarity** with the Indian industry.
- **Turnaround** specialists.
- **Identify** those SAs that can easily be “flipped” to make a profit– and those that cannot!
- Thus, Garner Varlik Designer **lowers the risk** taken by any potential investor.
- We see through the entire process of **restructuring & reworking** the asset.

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It's all about Rich Creations...